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17 June 1974

MEMORANDUM TO: D/DCI/NIO
FROM : NIO/EC
SUBJECT : Proposed KIQs for FY75

1. Attached is my proposed list of KIQs relevant to economics for FY 1975 together with their introduction. I have not used the editorial format adopted for the FY 1974 KIQs in preparing this preliminary list because that format requires decisions that I did not care to make at this time about the conceptual separability of related questions. The FY 74 format is tailored to the present form of the KEP and is less useful, in my opinion, for discussion of what is and is not "key" than the format I have adopted. If you prefer a translation in the FY 74 format now rather than later, please let me know. Is there any chance of keeping mine?

2. The attached set of KIQs is a Mark II version. I circulated Mark I to Maurice Ernst, [redacted] had been alerted that this exercise was under way and had canvassed Treasury, FEA, CIEP, Commerce, Agriculture, and the CEA for suggestions prior to receiving Mark I. In my opinion it is not necessary to schedule an interagency meeting involving the DCI to review this particular list. I will obtain reactions to Mark II from Treasury, State, CIEP, and (if possible) [redacted] office. I do not expect that review to produce too much in the way of recommended change.

3. The questions are listed in order of my judgement of their priority. The only real candidates for excision are 7 and 8, and 7 is rather popular downtown.

NIO/Economics

cc: [redacted]

Internal Distribution:

1 - D/DCI/NIO

1 - D/OER

1 - [redacted] ICS

1 - NIO/RI

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ECONOMICS

The place of the U.S. economy in the world is changing. Intelligence on economic developments affecting U.S. national security and on the plans, policies and economic performance of major U.S. economic competitors is rapidly increasing in importance to government policymakers. High priorities are

25X1 [REDACTED] as the Soviet Union and the Peoples Republic of China. The acquisition and analysis of foreign economic information has become, and is expected to remain, a high priority task of U.S. intelligence.

The rate of inflation in the major industrial nations now poses a major political problem for incumbent governments and strong policy measures to reduce inflationary pressures and balance-of-payments deficits are being adopted. Failures in international coordination of domestic economic policies or attempts to shift to other nations balance-of-payments deficits resulting from increased petroleum prices could result in a major slowdown in the level of economic activity in these nations that would have a major impact on the U.S. economy. Prospective analysis of the economic performance of the major industrial nations is thus an intelligence task of extreme importance in FY 75.

U.S. dependence on the mineral resources of other countries, especially petroleum, is increasing. Incomes of oil-producing states are rising at a rapid rate and the recycling of the balance-of-payments surpluses of these countries to deficit nations is creating serious problems. U.S. interests are being damaged by the pricing policies of the oil-producing nations. Problems of supply and price of raw materials other than petroleum may be generated by concerted actions of producing nations. These developments, together with potential problems in achieving balance in the world supply and demand for food, require that greater efforts be made by the intelligence community in coming years to acquire information on the worldwide availability of natural resources.

The Soviet Union is attempting to make up for deficiencies in the civilian and military sectors of its economy in part by seeking increased economic exchanges with the United States and other technologically advanced countries. The collection and analysis of information on foreign technological developments and the economic and military consequences of the exchange of technology are intelligence tasks of increasingly high priority

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1. Prospects for Inflation and Recession in the Major Industrial Nations

What are the changes in the measures of current performance and leading indicators of future performance of the economies of the major non-Communist industrial nations (es-

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what are the policy responses of the respective governments to those changes, and what is the likely effect of these policy responses, taken collectively, on the future performance of these economies and the U.S. economy?

2. Management of Foreign Assets by the Major Oil Exporters

What are the changes in composition and location of the foreign assets of the major oil producing countries and what are their policies with respect to channeling funds on longer terms than heretofore through multilateral institutions, the Eurodollar market, U.S. financial markets, and direct loans or grants to the LDCs?

3. Production, Export and Pricing Policies of Major Oil Exporters

What are the policies, negotiating positions and vulnerabilities of the major foreign petroleum producers with respect to the production, export and price of oil, and how are these policies affected by the prospects for development of non-OPEC energy sources?

4. Consequences of Imports of Technology by the USSR and PRC

What are the Soviet and PRC perceptions of their major needs for import of technology from non-Communist countries, the abilities of sources other than the U.S. to satisfy these needs, the likely effects of planned imports on productivity growth and military capabilities, and Soviet and PRC successes in obtaining imports of technology?

5. Production, Control and Pricing Policies of Producers of Important Raw Materials Other Than Petroleum

What changes in production, control and pricing policies are the major producers of important raw materials or primary products, considering either individually or in concert?

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6. Objectives of Major Economic Powers in Multilateral Trade and Financial Negotiations

What are the principal objectives of the major economic

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[redacted] in forthcoming multilateral trade (GATT) and financial negotiations (IMF), their possible negotiating tradeoffs, the electoral and intra-governmental factors that affect these objectives and tradeoffs, and, with respect to multilateral trade negotiations, the consequences of alternative trade agreements to the U.S. foreign trade balance?

7. Effects of Changes in Relative Prices of Imports and Exports on the Food Supply and Foreign Trade of Major LDCs

How have changes in the relative prices of imports and exports (petroleum, fertilizer and grain in particular) affected the food supply, foreign trade and prospects for

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[redacted]

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8. Foreign Demand for U.S. Agricultural Products

[redacted]

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